

THE COMMISSIONER OF CORPORATIONS HEREBY ADOPTS
THE FOLLOWING CHANGES IN THE REGULATIONS UNDER THE
ESCROW LAW
AS SET FORTH IN CHAPTER 3, TITLE 10,
CALIFORNIA CODE OF REGULATIONS
EFFECTIVE: May 1, 2000

1. Section 1722 is amended to read:

1722. Employee Bond Coverage.

~~A-Except as otherwise provided in Section 1723 of these rules, a~~ bond or bonds filed pursuant to Section 17203.1 of the ~~Escrow Law~~ Financial Code shall have at least the coverage provided in standard forms of fidelity, commercial blanket or blanket position bonds. Any additional coverage in such bonds is optional with the escrow agent.

Note: Authority cited: ~~Sections~~ Section 17400 and ~~17401~~, Financial Code. Reference: ~~Section~~ Sections 17203.1 and 17312, Financial Code.

2. Section 1723 is amended to read:

1723. Form and Amount of Fidelity Bond.

(a) Applicants for an escrow agent's license and licensees that are not required to be members of Escrow ~~Agent's~~ Agents' Fidelity Corporation pursuant to Section 17312 of the Financial Code or that will engage in or are engaged in the business of receiving escrows for deposit or delivery of the types of transactions not specified in subdivision (c) of Section 17312 of the Financial Code shall do the following:

(1) File with the Department a fidelity bond, providing fidelity coverage on each officer, director, trustee, and employee of not less than ~~\$1,000,000~~ \$125,000, for the purpose of indemnifying the escrow agent (or the escrow agent's successor in interest) for loss of trust obligations held by the escrow agent as a result of the fraudulent or dishonest abstraction, misappropriation, or embezzlement of trust obligations by an officer, director, trustee, or employee of the escrow agent. The fidelity bond may be either a primary commercial blanket bond or a blanket position bond, but shall be written by an insurer who has been licensed by the

Department of Insurance of the State of California. The fidelity bond shall contain a rider, commonly referred to as the “California Escrow Rider”, as set forth in subsection (b).

(2) The licensee shall maintain minimum fidelity coverage in accordance with the following schedule:

Monthly average escrow liability	Minimum coverage
Up to \$1,000,000.....	\$1,000,000
Up to \$125,000.....	\$ 125,000
\$125,001 to \$250,000.....	\$ 250,000
\$250,001 to \$500,000.....	\$ 500,000
\$500,001 to \$750,000.....	\$ 750,000
\$750,001 to \$1,000,000.....	\$1,000,000
Over \$1,000,000 <u>\$1,000,001</u> to \$3,000,000.....	\$2,000,000
Over \$3,000,000 <u>\$3,000,001</u> to \$5,000,000.....	\$3,000,000
Over \$5,000,000 <u>\$5,000,001</u> to \$7,500,000.....	\$4,000,000
Over \$7,500,000 <u>\$7,500,001</u> to \$10,000,000.....	\$5,000,000

and additional coverage at the rate of \$1.00 for every \$3.00 of average escrow liability in excess of \$10,000,000.

The foregoing schedule is a guide for the determination of the minimum fidelity coverage required of a licensee and shall not limit the Department in requiring any additional fidelity coverage that may be required under the circumstances.

(b) The California Escrow Rider shall:

(1) ~~provide~~ Provide that the coverage of the bond extends to all officers, directors, trustees, and employees of the insured whether or not such officers, directors, trustees, and employees are compensated by the insured; ~~and~~

(2) Provide that "employee" shall include:

(A) The Commissioner of Corporations, State of California, during the time said Commissioner, including his or her authorized representative, has possession of the property and business of the insured as provided in Division 6, Chapter 6 of the California Financial Code.

(B) Any individual or individuals assigned to perform employee duties for the insured within any premises of the insured by any agency furnishing temporary personnel on a contingent or part-time basis; provided, however, that the policy does not cover any loss caused by such individual if such loss is also covered by any insurance or suretyship held by the agency furnishing such temporary personnel to the insured.

(C) An independent contractor working in any office of the insured. Independent contractor shall be understood to mean any natural person while performing escrow duties in the service of the insured, and whose performance in such service, the insured has a right to govern and direct, but whom the insured compensates by other than salary or wages.

(3) Contain ~~contain~~ a provision that the bond shall not be cancelled by the insurer in whole or in part without 30 days prior written notice to the Commissioner.

(c) A fidelity bond required under this section may contain a deductible; however, the escrow agent shall deposit with the Commissioner a surety bond satisfactory to the Commissioner in the amount of the deductible. The surety bond required by this subsection is in addition to the surety bond required by Section 17202 of the Financial Code. The amount of the surety bond shall always be maintained at the same amount as the deductible, thereby reflecting any increase or decrease in the amount of the deductible. The surety bond shall run to the state for the use of the state to cover any loss of trust obligations that the escrow agent's fidelity bond does not cover due to the fidelity bond's deductible. The surety under the bond may pay the amount of its liability thereunder to the Commissioner or a conservator appointed by the Commissioner or a receiver or other designated fiduciary or officer of the court appointed by the court pursuant to Chapter 6 (commencing with Section 17621) of the Escrow Law in lieu of payment to the state.

Note: Authority cited: Section 17400, Financial Code. Reference: Sections 17203.1, ~~and~~ 17312, 17621, 17628, 17629, 17630, 17631, 17635, 17636, 17637, 17638, and 17640, Financial Code.

3. Repeal Section 1725.

~~1725. California Escrow Rider.~~

~~A bond shall contain the "California Escrow Rider," as in effect on July 1, 1983.~~

Note: Authority cited: Sections 17400 and 17401, Financial Code. Reference: Section 17240, Financial Code.